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C O N F I D E N T I A L AMMAN 000348

SIPDIS

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SUBJECT: JORDAN: KUWAITIS DO NOT PROMISE TO CONTINUE FREE OIL

REF: AMMAN 72

Classified By: Ambassador Edward W. Gnehm. Reasons 1.5 (b) and (d).

11. (C) On the margins of a separate meeting, Foreign Minister Muasher gave the Ambassador a readout of his recently concluded trip to Kuwait for a meeting of the bilateral Jordan-Kuwait Higher Committee. Muasher said he had been very well received ("like royalty," in fact), including extensive time with the Foreign Minister, who hosted and a large banquet. He also produced over 70 Kuwaiti agency heads to participate in the Committee sessions.

12. (C) On the other hand, Muasher said he did not succeed in the main objective of his visit: securing Kuwaiti agreement to continue free oil deliveries. He said Dr. Shaikh Muhammad explained that this was because of pressures from the Kuwaiti Parliament, which would not sanction even a smaller amount of free supplies than the equivalent of 25,000 bpd of crude now being provided. Shaikh Muhammad said he had heard from the UAE that the Emirates would also stop supplying their oil aid (in the form of the cash equivalent of 25,000 bpd). This left only Saudi Arabia, whose leadership told the King on his January 10 visit that they would get back to Jordan within two weeks on the continuation of their 50,000 bdp donation. No call has come yet.

13. (C) Comment: Prime Minister Fayeze is also traveling to Kuwait on Saturday, February 17 for a two-day visit. Muasher was not optimistic that the PM would be able to reverse the Kuwaiti decision. If the Gulf countries stop their free oil supplies, this will put considerable pressure on the 2004 budget, particularly given the current high market prices (about \$35/barrel). The budget draft assumes paying \$26 per barrel on average over the year for crude. Any savings as a result of oil deliveries below that price would likely be spent on social spending designed to blunt the negative political and social impact of tax and oil product price hikes also included in the budget. The Foreign Minister reiterated Jordan's commitment to meet its goal of ending oil subsidies.  
GNEHM